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Changes Slated For Financial Regulation In Japan

Surprising Japanese and foreign observers alike, legislation fundamentally altering Japan's financial system has avoided becoming entangled in the controversy surrounding the government's proposal to participate in United Nations peacekeeping actions. If, as expected, the financial reform bills are approved by both houses of the Diet during the current session, a new securities trading watchdog will be created in July and head-to-head competition by banks and stock brokers will begin next year. The government and ruling Liberal Democratic Party also are working on further financial system reforms that will give domestic insurance companies and nonbank financial institutions new freedom to diversify their operations.

- Investment and commercial banking regulation - The lower house of the Diet approved a 16-bill package June 5 that will allow securities brokers and banks to compete directly against each other while maintaining regulatory separation of investment and commercial banking. Like America's Glass-Steagall Act of 1934, Article 65 of Japan's Securities and Exchange Law prohibits banking and stock brokering activities under one roof. Both Washington and Tokyo have been considering modifying their prohibitions because global capital markets increasingly have become integrated and the European experience with "universal" banks (institutions that perform both commercial and investment banking functions) has proved positive. Progress, however, has been blocked in both

Trade and Payments Data

(in millions of dollars unless otherwise indicated)

	1990	1991	January-March 1991	January-March 1992	January 1992	February 1992	March 1992
Japan's Balance of Payments							
Trade Balance	$63,528	$103,044	$20,729	$31,127*	$5,893*	$12,336*	$12,898*
Exports (f.o.b.)	280,374	306,557	74,978	80,213*	23,325*	27,421*	29,467*
Imports (f.o.b.)	216,846	203,512	54,249	49,086*	17,432*	15,085*	16,569*
Current Account Balance	35,761	72,901	10,260	27,443*	3,064*	10,798*	13,581*
Long-Term Capital (net)	-43,586	37,057	10,707	14,077*	3,515*	1,717*	8,845*
Overall Balance	-7,234	76,369	8,129	46,533	9,574	15,615	21,344
International Reserves (end of period)	77,053	68,980	69,894	68,230	68,701	68,188	68,230
Japan's Customs Clearance Trade							
Trade Balance	52,149	77,789	14,468	25,016	3,834	10,213	10,969
Exports (f.o.b.)	286,948	314,526	76,338	82,444	23,984	28,102	30,358
Cars	41,348	44,713	11,801	13,138	4,306	4,553	4,279
Steel	12,509	13,612	3,191	3,106	872	1,031	1,203
Imports (c.i.f.)	234,799	236,737	61,870	57,429	20,151	17,889	19,389
Crude Oil	31,584	30,181	10,595	6,933	2,596	2,223	2,114
Manufactured Products	118,028	120,341	29,427	29,376	10,145	9,078	10,154
Japan-U.S. Trade							
Trade Balance	37,954	38,220	9,043	9,243	2,448	3,678	3,117
Exports (f.o.b.)	90,322	91,538	22,311	22,771	6,750	7,947	8,074
Imports (c.i.f.)	52,369	53,317	13,268	13,528	4,303	4,269	4,957
Yen-Dollar Exchange Rate (average for period)	Y144.79	Y134.54	Y133.86	Y128.41	Y125.03	Y127.50	Y132.70
U.S. Trade							
Trade Balance	-101,718	-65,399	-12,739	-11,336*	-5,398	-2,240	-3,698*
Exports (f.a.s.)	393,592	421,730	102,759	111,004*	34,469	36,860	39,676*
Imports (Customs)	495,311	487,129	115,499	122,340*	39,867	39,099	43,373*
U.S.-Japan Trade							
Trade Balance	-41,105	-43,385	-10,358	-10,769*	-3,817	-2,967	-3,986*
Exports (f.a.s.)	48,580	48,125	12,332	12,430*	3,661	4,417	4,352*
Imports (Customs)	89,684	91,511	22,689	23,199*	7,477	7,384	8,338*

*Preliminary

Japanese Economic Indicators

(percent change from year-earlier period unless otherwise indicated)

	1990	1991	January-March 1991	January-March 1992	January 1992	February 1992	March 1992
Discount Rate (end of period)	6.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Outstanding Money Supply	11.7%	3.6%	6.0%	1.7%	1.8%	1.6%	1.8%
Industrial Production	4.6%	2.1%	6.0%	-4.7%	-3.7%	-4.6%	-5.6%
Manufacturing Operating Rate	2.3%	-1.4%	2.3%	-6.4%	-5.9%	-6.5%	-6.8%
Number of Bankruptcies	-10.6%	65.8%	49.0%	39.8%	47.0%	44.8%	29.5%
Residential Construction Starts	2.7%	-19.7%	-11.4%	-8.4%	-16.4%	- 7.0%	-2.3%
Job Openings to Applications (ratio)	1.40	1.40	1.46	1.25	1.28	1.25	1.22
Nominal Wages	4.7%	3.7%	3.1%	3.6%	5.4%	1.4%	3.5%
Manufacturing Labor Productivity	4.2%	2.3%	7.8%*	-3.9%*	-3.9%	n.a.	n.a.
Wholesale Prices	2.0%	0.2%	1.6%	-1.8%	-2.2%	-1.6%	-1.4%
Consumer Prices	3.1%	3.3%	3.7%	1.9%	1.8%	2.0%	2.0%
Yen-Based Export Prices	2.1%	-3.5%	-4.0%	-2.5%	-3.9%	-2.0%	-1.7%
Yen-Based Import Prices	8.6%	-7.9%	1.1%	-13.4%	-18.2%	-12.8%	-8.7%

*Through January of each year only.

For Japan's latest GNP figures, see JEI Report No. 12B, March 27, 1992.